

DDI- 01420/85-

13 MAR 1985

MEMORANDUM FOR: Director of Central Intelligence

VIA: Deputy Director of Central Intelligence  
Deputy Director for Intelligence

FROM:   
Director of Global Issues

SUBJECT: Conference on Structural Change

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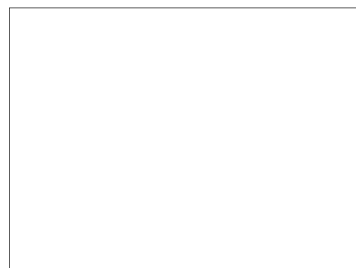
1. Action: Consent to give welcoming address on the morning of 3 June 1985, and to sign letters of invitation to speakers and discussants. Attached is a letter for your review and signature inviting Leo Cherne who has already agreed to give the first presentation, defining structural change and its political and economic implications. Request that you sign letters to other participants as we get concurrence on their availability.

2. Background: Over the past few months, I have been discussing the issue of structural change with Leo Cherne. The issue of structural change has important national security implications because it encompasses some of the underlying forces shaping current economic and political developments. OGI is planning a conference to improve our understanding of structural change and its implications and to promote a dialogue between top policymakers in the Administration and experts in the field. We are inviting speakers who have been working in this area from academia, industry, and government. We plan to invite senior members of the Departments of State, Treasury, Commerce, and Defense, the National Security Council, and the Office of the US Trade Representative.

3. We believe that your personal involvement would greatly enhance our ability to attract appropriate individuals in the policymaking community. Needless to say, if you agree to make the opening remarks, we will provide talking points well in advance of the session.

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Attachments:  
As stated



## C O N F E R E N C E   P R O G R A M

### Economic and Security Implications of Structural Change

The Washington Hilton, Washington, D.C.  
June 3 - 4, 1985

#### 1. CONFERENCE OBJECTIVE

The main purpose of this conference will be (a) to increase understanding among senior U.S. Government officials responsible for economic and security policy about the nature and implications of structural change; and (b) to bring some coherence to an extremely broad issue that has tended to mean different things to different observers. Following shortly after the Bonn Economic Summit, at which structural change will be a central issue, the conference is expected to result in a range of questions that can and should be addressed by intelligence analysis in the years to come.

#### 2. DEFINITION OF THE ISSUE

To focus and facilitate meaningful discussion, it is hoped that a single definition of "structural change" can consistently be used for the conference. In this connection, structural change -- as distinguished from cyclical, secular or historical change -- may be envisaged as the transformation over time of the relative importance of components of a national economy. It has resulted in most countries principally from technological advance. Major structural changes can involve shifts in the relative importance of economic sectors (agriculture, manufacturing, services) as well as particular industries (smokestack, high-tech, etc.); shifts between regions of large national economies; and changes in the composition of imports and exports. All of these have far-reaching political, social, military and diplomatic implications. Expansion in an economy as a whole is not included in this definition, however, nor are temporary shifts in the relationships among its components as a result of cyclical developments.

#### 3. SIGNIFICANCE OF THE ISSUE

The issue of structural change is important for national security because it encompasses some of the underlying forces shaping current economic and political developments, to which policy directly or indirectly responds.

The central thesis is that structural change almost inevitably has differential effects on different countries (and on regions within

countries, as well as regions composed of several countries). Some nations will therefore fare better than others as they undergo structural change. The intelligence community has a responsibility to provide information and analysis to support policies ensuring the US position in the former category -- or at a minimum to anticipate and assess the possible consequences of being in the latter.

#### 4. PROVISIONAL CONFERENCE AGENDA

##### DAY I. TECHNOLOGY AND STRUCTURAL CHANGE

Moderator: [REDACTED], DI/OGI

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8:30 - 9:00 Coffee and pastries

9:00 - 9:10 Welcoming remarks  
William J. Casey  
Director of Central Intelligence

9:10 - 9:30 Keynote for Day I  
"Defining the Problem: The Inevitability of Structural Change"  
Leo Cherne  
President's Foreign Intelligence Advisory Board

9:30 - 9:50 Underlying Forces: Determinants of Structural Change  
Overview: C. Fred Bergsten  
Director, Institute for International Economics

9:50 - 10:10 Structural Change and International Competitiveness  
Overview: Rimmer deVries  
Chief Economist, Morgan Guaranty Bank

10:10 - 10:30 Break

10:30 - 11:15 Panel discussion:  
William Branson, Princeton University  
J. David Richardson, University of Wisconsin  
Roy Moore, First Chicago Bank  
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11:15 - 12:00 Open discussion (all conference participants)

12:00 - 1:00 Lunch (Speaker: Bruce Nussbaum, author of  
The World After Oil)

- 1:30 - 1:50 Structural Change, Adjustment and Protectionism:  
The Coming Trade Wars?  
Overview: Peter G. Peterson  
Chairman, Lehman Brothers Kuhn Loeb
- 1:50 - 2:35 Panel discussion:  
Robert E. Baldwin, University of Wisconsin  
Robert Hormats, Goldman Sachs  
Howard Rosen, Institute for International Economics
- 2:35 - 3:05 Open discussion
- 3:05 - 3:25 Break
- 3:25 - 3:45 Implications of Structural Change for Third World  
Economies: Winners and Losers  
Overview: Anne O. Krueger  
Vice President, The World Bank
- 3:45 - 4:30 Panel discussion:  
Kent Calder, Princeton University  
Guy Erb, Overseas Development Council  
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- 4:30 - 5:00 Open discussion
- 5:00 - 6:30 Cocktails

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DAY II. GEOPOLITICAL IMPLICATIONS OF STRUCTURAL CHANGE  
Moderator: [ ] DI/OGI

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- 8:30 - 9:00 Coffee and pastries
- 9:00 - 9:20 Keynote for Day II  
"Assessing Structural Change from the Standpoint  
of Intelligence Analysis"  
James R. Schlesinger  
Georgetown Center for Strategic and International  
Studies
- 9:20 - 9:40 Implications of Structural Change for the  
Western Alliance  
Overview: Robert Gilpin  
Princeton University
- 9:40 - 10:25 Panel discussion:  
Henry Owen, Consultants International Group  
William Diebold, Council on Foreign Relations  
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10:25 - 10:45 Break

10:45 - 11:30 Open discussion

11:45 - 12:45 Lunch (Speaker: James Fallows, author of  
"The Changing American Economic Landscape")

1:00 - 1:20 Structural Change and East-West Relations  
Overview: Joseph S. Nye, Jr.  
Harvard University

1:20 - 2:00 Panel discussion:  
Kenneth N. Waltz, University of California, Berkeley  
Franklyn D. Holzman, Tufts University  
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2:00 - 2:30 Open discussion

2:30 - 2:50 Break

2:50 - 3:10 Structural Change and National Security:  
Implications for Strategic Vulnerability and  
Dependence  
Overview: Richard DeLauer  
formerly Under Secretary of Defense for Research and  
Engineering

3:10 - 3:55 Panel discussion:  
Ruben F. Mettler, TRW Inc.  
Stephen Krasner, Stanford University  
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3:55 - 4:20 Open discussion

4:20 - 4:30 Concluding remarks  
John N. McMahon  
Deputy Director of Central Intelligence

Central Intelligence Agency



Washington, D.C. 20505

Mr. Leo Cherne  
589 5th Avenue  
New York, New York 10017

Dear Leo:

I invite you to attend a special two-day Agency conference on the economic and security implications of structural change, to be held 3-4 June in the Washington area.

The purpose of this conference is to improve our understanding of structural change and its implications, and to promote a dialogue between top policymakers in the Administration and recognized experts on issues involved in structural change. I consider the issue of structural change to have important national security implications because it encompasses the underlying forces shaping current economic and political developments, in the United States and worldwide. I want to ensure that the Agency fully understands and appreciates the viewpoints and perspectives of experts such as you.

Because of your extensive work in the area, I am hopeful you will be willing to present the keynote address of approximately 20 minutes, defining structural change and its economic and political implications. Your presentation, which could be outlined in a brief discussion paper to be distributed in advance, would be followed by discussion among a panel of experts.

Attendance at this conference will be limited to senior members of the Executive Branch, Agency personnel and invited private-sector representatives. I hope you will join us. Your participation will ensure that this conference will be a successful endeavor.

Yours,

William J. Casey  
Director of Central Intelligence

Enclosure

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